

HE #2 (PF EXHS)

TESTIMONY OF D. JOE MAREADY
STEPHENSON'S LAKE SUBDIVISION
DOWD WATER SYSTEM, INC.
DOCKET NO. 2001-75-W

TESTIMONY OF D. JOE MAREADY

FOR

DOWD WATER SYSTEMS, INC.

DOCKET NO. 2001-75-W

IN RE: STEPHENSON'S LAKE SUBDIVISION

Q. WOULD PLEASE STATE YOUR NAME AND ADDRESS?

A. My name is D. Joe Maready and I reside at 240 Orchard Drive, West Columbia, S.C. 29170.

Q. WOULD YOU PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND YOUR EXPERIENCE?

A. I received a B.S. Degree in General Business from the University of North Carolina, Chapel Hill, North Carolina, and have taken over thirty semester hours in Accounting at the University of South Carolina. I was employed with the Public Service Commission (PSC) for almost twenty-nine years. During that time I testified in excess of fifty (50) Rate Cases involving electric, gas, telephone, water, sewer, radio common carriers, general commodities, bus and moving and storage companies. After my retirement in July 1999, I began working with Public Storage Company (PSC) where I work as an Assistant Property Manager and occasionally substitute as Property Manager at the other nine properties throughout the Metro Columbia Area.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY INVOLVING STEPHENSON'S LAKE WATER COMPANY?

A. I was contracted by the owner of Dowd Water Systems to present the financial statements for Stephenson's Lake into evidence for a proposed increase in its rates and charges.

Q. PLEASE EXPLAIN.

A. Attached to my testimony is Exhibits A and A-1 entitled "Operating Margins" and "Explanation of Accounting and Pro Forma Adjustments" ^{RESPECTIVELY} respectfully. The twelve months test period is the twelve months ending December 31, 2000. Column (1) of Exhibit A shows the 'per books' figures for the test period. The current monthly charges of \$15 per months for the twenty-five (25) customers produce

revenues of \$4,500 per year. After operating expenses of \$5,070, the company lost \$570 for an Operating Margin (loss) of (12.67%). This means that for every \$100 of Revenues collected from the customers, the Company loses \$12.67 due to expenses being that much greater than the revenues earned. I would point out that there are no salaries, travel expenses nor management fees charged to this company by the owner. Furthermore, all losses for these operations are paid for out-of-pocket by the owner.

Adjustments shown in Column (2) are as follows:

Adjustment # (1): Testing Fees (\$500), Operator \$4,818 and Chemicals (\$186) In June 2001, the owner hired a licensed contractor to perform daily inspections of the system. These inspections are to include monitoring for pH and chlorine and total coliform analysis once per month. Also included will be the bacteriological analysis to S. C. Department of Health and Environmental Control. The cost per month is \$1,103, or, \$13,236. One-half, or \$6,618, is charged to Stephensons Lake. The other half is charged to another water system owned by Dowd Water Systems, Inc.

Adjustment # (2): Repair Door (\$50): Repairs to the door of the pump house is eliminated as an extraordinary and nonrecurring expense.

Adjustment # (3): Assessment Taxes (\$87): The assessment tax by the Public Service Commission of South Carolina is annualized at .005 times \$4,500, thus, reducing the adjusted amount to \$23.

Adjustment # (4): Rate Case Expense, \$44 : The cost by the Accountant is \$400 for three dockets. One-third of this amount, or \$133, is amortized over a three-year period.

After the adjustments above are added to the per books figures as shown in column (3), operating loss is (102.42%) on revenues of \$4,500 and expenses of \$9,109--a loss of \$4,609.

The effect of the proposed increase is shown in column (4). The adjustments are as follows:

Adjustment # (5): Effect of the Proposed Increase: \$10,800: The company is proposing to increase its rates from \$15 per month to \$51 per month for unlimited amounts of water. The proposed increase is \$36 per month for twenty-five customers equals a total increase of \$10,800 (\$36 X 25 customers X 12 months).

Adjustment # (6): Assessment Tax, \$54 The gross receipts tax is computed at .005 times the proposed increase of \$10,800.

Adjustment # (7): Income Taxes, \$1,181: On total proposed revenues of \$15,300 and proposed expenses of \$9,163, taxable income is \$6,137. The taxable rate of 19.25% was applied for Income Taxes of \$1,181.

The operating margin, after the proposed increase and after adjustments shown in column (4), increases to 32.39%

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

EXHIBIT A

STEPHENSON'S LAKE
OPERATING MARGINS
FOR THE TEST YEAR ENDING DECEMBER 31, 2000

	PER BOOKS	PROFORMA AND ACCOUNTING ADJ. ADJUSTMENTS	ADJ. NO.	AFTER ADJUSTMENTS	EFFECT OF PROPOSED INCREASE	AFTER ADJ. PROPOSED NO. INCREASE
	\$	\$		\$	\$	\$
OPERATING REVENUES:	4,500	0		4,500	10,800 (5)	15,300
OPERATING EXPENSES:						
Electricity	1,157	0		1,157	0	1,157
Testing Fees	500	(500) (1)		0	0	0
Operator	1,800	4,818 (1)		6,618	0	6,618
Chemicals	186	(186) (1)		0	0	0
Office Supplies (1)	220	0		220	0	220
Repairs	1,047	0		1,047	0	1,047
Repair Door	50	(50) (2)		0	0	0
Assessment Taxes	110	(87) (3)		23	54 (6)	77
Property Taxes	0	0		0	0	0
Management Fees	0	0		0	0	0
Rate Case Expense	0	44 (4)		44	0	44
Income Taxes	0	0		0	1,181 (7)	1,181
TOTAL OPERATING EXPENSE	5,070	4,039		9,109	1,235	10,344
TOTAL OPERATING INCOME	(570)	(4,039)		(4,609)	9,565	4,956
OPERATING MARGINS:	(12.67%)			(102.42%)		32.39%

(LOSSES)

DOWD WATER SYSTEMS, INC.
(STEPHENSON'S LAKE)
DOCKET NO 2001-75-W

EXPLANATION OF ACCOUNTING AND PRO FORMA ADJUSTMENT

ADJUSTMENT NUMBER 1: Testing Fees, (\$500); Operator Fees, \$4,818; and Chemical Costs, (\$186). Effective April 1, 2001, a private contractor assumed the responsibility of all testing at Stephenson's Lake and Emerald Shores at \$1,103 per month (\$13,236 per annum). One-half of this cost, or \$6,618, is charged to Stephenson's Lake.

ADJUSTMENT NUMBER 2: Repair Door,(\$50). Repairs to a door is eliminated as an extraordinary and nonrecurring costs.

ADJUSTMENT NUMBER 3: Assessment Taxes (\$87). The assessment tax by the Public Service Commission of South Carolina is annualized at .005 times \$4,500, thus, reducing the adjusted amount to \$23.

ADJUSTMENT NUMBER 4: Rate Case Expense, \$44. The cost by the Accountant is \$400 for three dockets. One-third of this amount, \$133, is amortized over a three-year period.

ADJUSTMENT NUMBER 5: Effect of the Proposed Increase, \$10,800. The proposed increase is \$36 per month for twenty-five customers (\$36 X 25 customers X 12 months equals \$10,800).

ADJUSTMENT NUMBER 6: Assessment Tax, \$54. The gross receipts tax is computed at .005 times the proposed increase of \$10,800.

ADJUSTMENT NUMBER 7: Income taxes, \$1,181. On proposed Revenues of \$15,300 and proposed Expenses of \$9,163, taxable income is \$6,137. The taxable rate of 19.25% was applied for Income Taxes of \$1,181.